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AGENDA ID #744

WATER/ABJ/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Branch

RESOLUTION NO. W-4337
June 27, 2002

R E S O L U T I O N

**(RES. W-4337), SAN JOSE WATER COMPANY (SJWC).
ORDER AUTHORIZING AN OFFSET RATE INCREASE FOR
INCREASES IN THE COST OF PURCHASED WATER AND
PUMP TAX OF \$1,406,281 OR 1.12% IN ADDITIONAL
REVENUE.**

SUMMARY

By Advice Letter No. 333, filed May 3, 2002, SJWC seeks revision of tariff Schedules No. 1, General Metered Service, No. 1B, General Metered Service with Automatic Sprinkler System, and No. 6, Resale Service, to provide for an increase in revenues of \$1,406,281 or 1.12%. This increase is a result of increased costs for purchased water and pump tax since SJWC's present rates became effective on January 1, 2002. The offset rate increase will not result in a rate of return greater than last authorized for SJWC.

BACKGROUND

SJWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$675,057 increase in purchased water costs, (2) a \$724,376 increase in pump tax expenses, and (3) \$6,848 in related increases in uncollectibles and franchise taxes. The higher costs for purchased water and pump tax will be imposed on SJWC by the Santa Clara Valley Water District (SCVWD) effective July 1, 2002.

SJWC serves approximately 214,560 metered customers in portions of the city of San Jose, Cupertino, Santa Clara, Los Gatos, Monte Sereno, and Saratoga and in contiguous areas in the County of Santa Clara. The present rates for SJWC became effective

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January 1, 2002, by Advice Letter No. 329, which authorized a step rate increase pursuant to SJWC's last general rate, case Decision No. (D.) 01-04-034, dated April 19, 2001. The decision authorized a 9.11% rate of return in 2002 for SJWC.

DISCUSSION

The reasons for the above changes are as follows:

Effective July 1, 2002, SCVWD will increase its purchased water rates from \$410/acre foot (AF) to \$420/AF and its pump tax rate from \$330/AF to \$340/AF. This increase results in a \$675,057 increase in purchased water costs for SJWC, and a \$724,376 increase in pump tax expenses.

The increases in SCVWD's purchased water cost and pump tax are directly related to water consumption and therefore the associated rate increase for SJWC shall be applied to the quantity rates. In order to recover the higher costs, SJWC will increase its quantity charge by \$0.0234/Ccf (One Ccf is equal to one-hundred cubic feet). The monthly bill for an average residential customer utilizing 1,500 cubic feet of water per month would increase by \$0.35 from \$33.28 to \$33.63, or 1.05%.

Service by SJWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. SJWC's last general rate case Decision (D.) 01-04-034 was issued on April 19, 2001, therefore, the utility is within the 3-year rate cycle. SJWC is currently earning 8.97% on a recorded basis and 9.08% on a pro-forma basis, which is below its authorized rate of return of 9.11%.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the San Jose Mercury News, a newspaper of general circulation, on May 11, 2002, as evidenced by a Proof of Publication provided to the Water Branch by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

The Commission finds, after investigation by the Water Branch, that the changes hereby authorized are justified and the resulting rates and surcredits are just and reasonable.

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IT IS ORDERED that:

1. San Jose Water Company is authorized, effective July 1, 2002, to make effective revised Schedules No. 1, General Metered Service; No. 1B, General Metered Service, with Automatic Fire Sprinkler System; and No. 6, Resale Service, attached to Advice Letter No. 333, and to cancel the corresponding presently effective rate schedules.
2. San Jose Water Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 27, 2002; the following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director